

Message Text

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ACTION AGR-20

INFO OCT-01 EUR-25 ISO-00 FEA-02 INT-08 AID-20 CIAE-00

COME-00 EB-11 FRB-02 INR-10 NSAE-00 RSC-01 TRSE-00

XMB-07 OPIC-12 SPC-03 CIEP-02 LAB-06 SIL-01 OMB-01

SS-20 NSC-10 FPC-01 DRC-01 /164 W

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R 231827Z JAN 74

FM AMEMBASSY LONDON

TO SECSTATE WASHDC 7342

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PASS AGRICULTURE FOR FAS

E.O. 11652: N/A

TAGS: EAGR

SUBJECT: EFFECT OF ENERGY SITUATION ON AGRICULTURAL
PRODUCTION AND TRADE

REF: STATE 5278, FASTO CIRCULAR 296

1. BEGIN SUMMARY. CONSENSUS OF CONTACTS IN DEPARTMENT OF TRADE AND INDUSTRY (DTI), FERTILIZER MANUFACTURERS ASSOCIATION (FMA) AND PRIVATE SECTOR IS THAT SOME FERTILIZER SHORTAGE MAY OCCUR IN UK IN 1974 BUT THIS WILL BE DUE MORE TO HEIGHTENED DEMAND FOR UK FERTILIZER RATHER THAN SHORTAGE OF BASIC MATERIALS. NO MAJOR SHORTAGES ARE ANTICIPATED IN BASIC SUPPLIES, I.E. NITROGEN, PHOSPHATE AND POTASH, ALTHOUGH PRICES WILL BE SIGNIFICANTLY HIGHER. ANY PETROLEUM SHORTFALLS IN FERTILIZER SECTOR WILL BE OFFSET BY NATURAL GAS. OVERALL FMA ANTICIPATES 90 PERCENT OF HEIGHTENED DEMAND FOR FERTILIZER FOR SPRING 1974 WILL BE MET AND UK IMPORT/EXPORT PATTERN SHOULD NOT REGISTER ANY MAJOR SHIFTS FROM PREVIOUS YEARS. END SUMMARY.

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2. IMPERIAL CHEMICAL INDUSTRY (ICI) AND FISON'S ACCOUNT FOR 75 PERCENT OF UK'S FERTILIZER PRODUCTION, SHELL - 10 PERCENT, ALBRIGHT AND WILSON - 6 PERCENT AND REMAINDER OF PRODUCTION IS SHARED BY A NUMBER OF SMALLER FIRMS. FERTILIZER PRODUCTION INDUSTRY AS A CRITICAL INDUSTRY IS EXEMPT FROM ELECTRICITY CUTBACKS AND IS ALLOTTED 90 PERCENT OF ITS NORMAL PETROLEUM REQUIREMENT. OFFSETTING POSSIBLE LOSSES IN PETROLEUM REQUIREMENT IS THE AVAILABILITY OF NATURAL GAS FROM THE NORTH SEA.

3. A. NITROGEN. THE EXPECTED HIGH UK DEMAND FOR NITRATE FERTILIZER, USED HEAVILY ON GRASSLANDS FOR LIVESTOCK RAISING, WHICH GREW ABOUT 6 PERCENT IN 1973 MIGHT NOT BE FULLY MET DUE TO INADEQUATE AMMONIA CAPACITY. SHORTFALLS IN PETROLEUM FEEDSTOCKS FOR AMMONIA PRODUCTION CAN WITHIN SHORT TERM (I.E. 3 TO 5 MONTHS TIME) BE COMPENSATED FOR BY NATURAL GAS. INITIAL DISLOCATIONS MIGHT GENERATE SOME ADDED IMPORT REQUIREMENT FOR NITRATE FERTILIZERS. OVER THE NEXT 3 TO 4 MONTHS, PETROLEUM CUTBACKS MIGHT RESULT IN SOME CONSIDERABLE CUTBACK IN COMPOUND FERTILIZER PRODUCTION BUT THEREAFTER NATURAL GAS SHOULD BE SUBSTITUTABLE FOR THE PETROLEUM SHORTFALL. DEMAND FOR COMPOUND FERTILIZER HAS BEEN GROWING AT 2 PERCENT PER YEAR.

B. POTASH. UK REQUIREMENTS ARE HEAVILY SUPPLIED BY CANADA AND EAST GERMANY. SUPPLIES ARE EXPECTED TO BE AVAILABLE BUT AT RAPIDLY RISING COSTS. IN ADDITION, MINING OF POTASH IN THE UK (YORKSHIRE) WILL BEGIN IN 1974 AND BY 1977 IS EXPECTED TO BE PRODUCING ONE MILLION TONS OF POTASH PER YEAR.

C. PHOSPHATE. UK DEMAND FOR PHOSPHATE IS MET PRINCIPALLY BY IMPORTS FROM U.S. AND NORTH AFRICA, ESPECIALLY MOROCCO. PHOSPHATE HAS BECOME EXPENSIVE AND LIKELY TO BECOME MORE SO. HMG'S PRICES AND INCOMES BOARD ON JANUARY 1, 1974 AUTHORIZED FISON'S A 12 PERCENT INCREASE AND ICI A 13 PERCENT RISE IN FERTILIZER PRICES. THESE INCREASES WERE ALLOWED LARGELY ON LIMITED OFFICIAL USE

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INCREASED COSTS FOR PHOSPHATES.

4. FOLLOWING STATISTICAL DATA (LATEST AVAILABLE) PROVIDED BY FMA AND DTI.

PRODUCTION	NUTRIENT CONTENT
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1) PHOSPHATE (P2O5)	1970 438,000 METRIC TONS
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1971	530,400	"	"
1972	465,600	"	"
2) NITROGEN	1970	698,400	" "
1971	735,600	"	"
1972	759,600	"	"

3) POTASH - NO DOMESTIC PRODUCTION.

ABOUT 92 PERCENT OF IMPORTS GO INTO COMPOUND

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FERTILIZER.

4) COMPOUND FERTILIZER 1970 2,660,400 METRIC TONS

1971 2,958,000 " "

1972 2,906,400 " "

(COMPOUND FERTILIZER RATIOS IN 1971/72 WERE:

NITROGEN - 16.26; PHOSPHATE - 12.56; AND POTASH - 13.61.)

5. IMPORTS: A) JAN. - DEC. 1972 (VALUES IN BRACKETS)

B) JAN. TO NOV. 1973 (" " ")

I) BTN 25.10.0001 (SITC 271.3) - PHOSPHATE ROCK

QUANTITY (METRIC TONS) VALUE (POUNDS)

A) 1.6 MILLION 11,229,000

B) 1.8 MILLION

(APPROXIMATELY 67 PERCENT USED FOR FERTILIZER.)

II) BTN 31.04.0092 (SITC 271.4) - CRUDE POTASH SALTS

A) 37,834 378,000

B) 32,000

(ABOUT 14 PERCENT OF ABOVE AMOUNTS ARE POTASH.)

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III) BTN 31.04.0288 (SITC 561.3) - POTASSIC

CHLORIDE

A) 664,000 11,641,000

B) 671,000

(ABOUT 60 PERCENT USED FOR FERTILIZER.)

IV) BTN 31.04.0352 (SITC 561.3) - POTASSIUM

SULPHATE

A) 25,609 582,000

B) 39,000

(50 PERCENT USED FOR FERTILIZER.)

V) BTN 31.05.0407 (SITC 561.9) - OTHER TYPES OF

FERTILIZER

A) 330,000 9,665,000

B) 235,750

(MOST OF THIS IS COMPOUND FERTILIZERS.)

VI) BTN 31.02.0563 (SITC 561.1) - AMMONIA SULPHATE

A) 183,000 1,424,000

B) 179,000

(21 PERCENT OF ABOVE AMOUNTS USED FOR
FERTILIZER.)

VII) BTN 31.02.0823 (SITC 561.1) - CALCIUM

AMMONIUM NITRATE

A) 69,000 1,665,000

B) 49,000

VIII) BTN 31.02.0467 (SITC 561.6) - UREA

A) 53,000 1,075,000

B) 31,000

(45 PERCENT FOR FERTILIZER.)

IX) BTN 31.02.0307 (SITC 561.1) - AMMONIUM NITRATE

A) 114,000 2,953,000

B) 71,000

(30 PERCENT FOR FERTILIZER.)

X) BTN 31.03.0002 (SITC 561.29 - PHOSPHATIC
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FERTILIZER

- A) 31,000 485,000
 - B) 21,483
- (30 PERCENT FOR FERTILIZER.)

6. EXPORTS: UK FERTILIZER EXPORTS ARE VERY SMALL.
PRINCIPAL ONES ARE:

I) BTN 31.02.0563 (SITC 561.1) - AMMONIUM SULPHATE

- A) 6,000 METRIC TONS 70,000 POUNDS
STERL.
- B) 395

II) BTN 31.02.0307 (SITC 561.1) - AMMONIUM NITRATE

- A) 49,000 107,000
- B) 479

III) BTN 31.20.0467 (SITC) - UREA

- A) 65,000
- B) NOT AVAILABLE

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IV) BTN 31.02.0823 (SITC) - CALCIUM AMMONIUM

NITRATE

- A) 34,000
- B) NOT AVAILABLE

V) BTN 31.03.0002 (SITC 561.29) - SUPERPHOSPHATE

- A) 40,000 832,000
- B) 54,000

VI) BTN 31.05 (SITC 561.9) - COMPOUND FERTILIZER

- A) 190,855
- B) 229,000

7. CONSUMPTION: (JUNE - MAY YEARS)

QUANTITY (METRIC TONS)

INORGANIC FERTILIZERS:

- A) NITROGEN 1970/71 879,500
- 1971/72 904,900
- 1972/73 931,900

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B) PHOSPHATE (P2O5) 1970/71 496,400

1971/72 466,000
1972/73 474,500

C) POTASH (K2O) 1970/71 451.900

1971/72 427,800
1972/73 428,200

8. STOCKS: THERE ARE NO PUBLISHED STATISTICS REGARD-
ING STOCKS. NORMAL STOCKS WOULD BE ABOUT ONE MONTH'S
SUPPLY.

9. PRICES. CURRENT PRICE LIST DATED JAN. 1, 1974

REVEALS THE FOLLOWING RANGES OF SPOT AND FUTURE (FEB-
RUARY/MAY) PRICES.

NET CASH PRICE BEFORE DEDUCTION OF SUBSIDY

TOP NEW TOP TOP TOP TOP NEW TOP
YIELD YIELD 1 YIELD YIELD YIELD YIELD 5

PHOSPHORIC

ACID:

NITROGEN (N)

PERCENT 13 16 20 10 10 20

TOTAL P2O5

PERCENT 13 16 9 24 15 14

SOLUBLE P2O5

PERCENT 12.3 15.3 8.4 22.8 13.8 13.4

POTASH K2O

PERCENT 19 20 9 24 10 14

CASH: (POUNDS PER LONG TON)

JAN. 1974 49.15 57.60 48.55 61.50 43.55 58.00

FEB/MAY

1974 49.80 58.35 49.15 62.30 44.10 58.75

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10. BRITAIN'S GROSS NATIONAL PRODUCT FIGURES AT
CONSTANT (1970) PRICES FOR YEARS 1971, 1972 AND 1973
WERE POUNDS 43,700 MILLION, POUNDS 44,350 MILLION AND
POUNDS 45,900 MILLION (EST). THE PROJECTION FOR 1974
IS FOR NO GROWTH IN REAL TERMS.

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